



CIVIL SOCIETY DIALOGUE

**MEETING ON THE EX-POST EVALUATION OF THE
IMPLEMENTATION OF THE
EU-COLOMBIA/ECUADOR/PERU TRADE AGREEMENT:
INTERIM REPORT**

Date: 20 April 2021

Time: 10:00-12:00

Location: Webex

Lead speakers

- Deputy Head of Unit - Latin America Unit, Directorate-General for Trade, European Commission
- Team Leader for the study, BKP Economic Advisors, accompanied by study team members

Moderator

Deputy Head of Unit - Transparency, Civil society and Communication Unit, Directorate-General for Trade, European Commission - Civil Society Coordination

1. Introduction

In the introductory remarks, DG TRADE recalled that the Trade Agreement has been provisionally applied since 2013 for Colombia and Peru, and since 2017 for Ecuador, while Bolivia trades with the EU under the GSP+. The three Agreement partners also used to be GSP+ beneficiary countries, and the Agreement allowed them to benefit from continued preferential access to the EU market after their graduation from the GSP; this was important to be kept in mind when evaluating the Agreement. It is also to be noted that the Agreement with the three Andean countries is one of the “new generation” trade agreements, which in addition to trade in goods and services also covers issues such as non-tariff measures, public procurement, competition, as well as a full-fledged trade and sustainable development (TSD) chapter.

The evaluation study has been contracted out by the Commission to ensure the independence of the evaluation. The interim report as presented by the contractor presents the current state of data and findings and is a rather comprehensive document; the final report will be based on this interim report but would be in principle shorter. The draft final report is expected in early summer, with another CSD meeting for its discussion also planned to take place in the summer, and the final evaluation report before the end of the year.

To ensure that stakeholders can contribute to the evaluation, and considering that so far not many responses have been provided, the online public consultation has been extended until 06 May 2021. DG TRADE asked participants to share their views on the Agreement through the survey if they had not done so yet.

In terms of the Agreement's performance, the Commission considers that it has worked well: bilateral trade reached EUR 25 billion in 2019 (dropping to EUR 21 billion in 2020 as a result of the pandemic) and helped stabilise trade flows against a global trade environment characterised by a number of commodity shocks. The Agreement also contributed to diversification within agricultural exports of the Andean partners, with an increasing share of value-added products being exported. The Agreement provides a useful platform to discuss trade concerns and sustainability issues, which are an important component of the bilateral relations.

2. Presentation of the Draft Interim Report

The **study team** presented the draft interim report focussing on the preliminary findings regarding the economic, social, environmental, and human rights effects of the Agreement, as well as its institutional aspects. The corresponding slides are available on the evaluation webpage.¹

3. Discussion / Questions and Replies

A representative of the **European Services Forum** asked for a clarification if the economic modelling estimates of changes caused by the Agreement in trade between the EU and the Andean countries (in value and percent) included trade in services. The study team confirmed this, but as the modelling only captured the tariff liberalisation under the Agreement (and not non-tariff issues), any calculated effects on services sectors were the result of general equilibrium considerations. In other words, in the modelling the tariff cuts under the Agreement lead to changes in goods trade (in essence, trade in goods becomes relatively more profitable in comparison to trade in services) which then translate into (mostly small negative) changes for non-goods sectors.

A representative of the **Oficina Internacional de los Derechos Humanos - Acción Colombia (OIDHACO)** asked about the difference between "minor" and "major" impacts in the screening of human rights impacts. The study team responded that the shown impacts are mainly derived from the Agreement's economic effects as estimated through the economic modelling, with impacts on output and employment of below 1% being considered as minor.

Tobacco Europe commented that the Agreement's provisions on Customs issues were not fully implemented by Colombia and Peru, and that e.g. trade in tobacco products was heavily affected by illicit trade and smuggling, facilitated by poor customs control by the two countries. An estimated 20% of Peru's imports and 30% in the case of Colombia were illicit, severely affecting not only traders but also revenue collection by the Andean countries. The study team responded that border controls are not part of the Agreement and that the issue had not been raised by other stakeholders interviewed so far and suggested a bilateral follow-up discussion.

A representative of **PowerShift** asked five questions, which were seconded by **CNV Internationaal**: First, noting that the Agreement was still provisionally applied – as some ratifications were still outstanding – what the practical implementation differences were and whether this was considered in the evaluation. The study team responded that for all practical matters, the provisional application of the Agreement

¹ <http://www.fta-evaluation.eu/en/resources-2/study-outputs>

was not different from the implementation after the formal entry into force. As a result, the evaluation would not further address the issue of provisional application, nor would it evaluate the reasons and outstanding steps for the ratification by the remaining parties to the agreement.

Second, PowerShift noted that in 2013 a Human Rights Action Plan had been agreed with Colombia, and asked how this and its implementation was reflected in the evaluation. The study team responded that the analysis was carried out in line with the terms of reference for the evaluation and that all the implementation reports on the Agreement have been taken into account with particular focus on the engagement and actions of the parties related to human rights.

Third, further clarification was requested on the evaluation finding that the Agreement has led to a decrease in global greenhouse gas (GHG) emissions. The study team responded that the quantitative analysis on the change in gross GHG emissions resulting from FTA-induced output changes (based on the economic modelling results), indeed estimates a net decrease in global GHG emissions. The explanation for this is that although emissions increased in the Andean countries and in the EU, they decreased in the rest of the world, compared the counterfactual situation without the FTA. Sectoral output changes across countries, combined with different emission intensities per sector and country (which are relatively low in the EU), result in an estimated small decrease in global gross GHG emissions. It was stressed that this analysis does not (yet) consider impacts on LULUCF emissions, which account for a large share of emissions in the Andean countries.

Fourth, PowerShift questioned the finding that the Andean exports have diversified, as these still consisted mostly of raw materials, whereas the EU continued to export high-value products. The study team responded that indeed the parties to the Agreement exported the products they were producing and where they had a comparative advantage, these being mostly agricultural products on the Andean side and manufactured products (led by motor vehicles and machinery) on the EU side, and that it was unrealistic to expect that a major shift would take place in a few years. However, export diversification had taken place in various respects: first, within agricultural goods the number and scope of products being exported has increased: more different agricultural products, including processed and value-added food products are increasingly exported. Second, the dependence of Andean countries on very few export products, although still being high, has decreased.

Fifth, PowerShift questioned the finding presented by the study team that consultations with civil society in the Andean countries, notably in Colombia, on matters pertaining to the Agreement were taking place. PowerShift's partners in Colombia had informed them that no meetings had taken place in the last two years and that the dialogue was effectively not functioning. Also, PowerShift underlined that the Commission is aware that the mechanisms foreseen under the TSD chapter for consultation of civil society are insufficient, as this was an issue raised in the complaint made in 2017 by a group of Peruvian civil society organisations. The study team informed that according to their research, meetings between the Colombian authorities and the Colombian DAG take place but that this is considered insufficient by the DAG members to exercise their mandate to monitor the implementation of the TSD chapter. The Commission recognised that although problems persisted in terms of civil society consultation on TSD implementation matters there has been progress overall. Moreover, open sessions between the government representatives of the four parties with civil society stakeholders are held on a yearly basis back-to-back to the Trade and Sustainable Development Sub-Committee meetings. In 2020, because of the travelling restrictions due to the pandemic, this public meeting took place in virtual format. These meetings are additional occasions for civil society representatives to raise issues related to the TSD chapter.

A representative of the **International Confederation of European Sugar Beet Growers (CIBE)** had two questions/comments: First, whether the evaluation would consider to expand the analysis on the link between deforestation, change of soil utilization and loss in biodiversity on the one hand, and the denial of access to land and land grabbing for indigenous communities in Peru and Colombia on the other. The study team responded that this was currently being under study and would be addressed in the final report.

The second comment related to the prolongation in 2019 of the special labour regime for agricultural workers in Peru. According to CIBE, this is a clear infringement of the country's TSD commitments and constituted a clear failure of the Agreement. CIBE also flagged that according to the International Trade Union Confederation (ITUC) Colombia is one of the 10 worst countries in the world with respect to workers' rights because of the extreme violence and repression. The study team observed that the situation in Colombia regarding violence against trade union leaders and members is serious. However, based on the available data, one could conclude that it had improved over the last few years as the number of acts of violence had decreased. The study team further noted that the Colombian Government has taken several actions to that end, including in the context of international cooperation with the US and Canada, as well as in the framework of the OECD accession process. Moreover, questions related to the protection of freedom of association and the right to collective bargaining are discussed regularly with the EU under the implementation of the TSD chapter. Regarding the situation in Peru, the team noted that this requires further analysis: if the existing legislation was prolonged in its application, one cannot speak about a breach of TSD provisions as this does not represent lowering of labour standards.

A representative of **CNV Internationaal** suggested that a particular focus of the evaluation should be to highlight what and how the Agreement and its implementation can be improved. The study team responded that this was indeed the main objective of the evaluation – but that the interim report was focussing on providing the factual evidence base, so not yet conclusions and recommendations for improvement. CNV International also requested information about the next steps in the evaluation. The study team responded that the next written output would be the draft final report, which would be based on further analysis and consultations, and which would present the draft evaluation conclusions and recommendations. This report was scheduled for early summer and would be presented and discussed with civil society in another CSD meeting prior to its finalisation.